

Delaware Compensation Rating Bureau, Inc.



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To: Supporting Information – Bureau Filing No. 0604

From: Betty Ann Campbell  
Director – Rating Rules & Policy Reporting

Date: July 24, 2006

Re: Manual Revisions to Section 1  
Housekeeping Changes

The Bureau proposes revisions to the Delaware Construction Classification Premium Adjustment Program language within Section 1 of the Basis Manual **effective December 1, 2006**. These revisions are to maintain appropriate date references and to update classification codes eligible for the premium adjustment program. These revisions are proposed in conjunction with other updates to this program as set forth in Exhibit 14 of Bureau Filing No. 0604.

The proposed changes are shown on the attached.

**G. DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM**

**1. Program Description**

The Delaware Construction Classification Premium Adjustment Program provides for a premium credit for up to one year for a policy which contains one or more construction classifications. A credit may be applicable to those policies effective new and renewed with normal anniversary rating dates on or after **July 1, 1990**.

The basis for determining the credit is the total payroll (including overtime premium pay) and hours worked for each construction classification [ for the third calendar quarter in **1989** ] as reported to taxing authorities. The applicable report periods vary according to the normal anniversary rating date of each policy, as set forth below.

<u>Normal Anniversary Rating Dates</u>	<u>Reporting Period for Qualifying Wages</u>
January 1, 2003 – December 31, 2003	Third calendar quarter of 2001
January 1, 2004 – December 31, 2004	Third calendar quarter of 2002
January 1, 2005 – December 31, 2005	Third calendar quarter of 2003
January 1, 2006 – May 31, 2006	Third calendar quarter of 2004
June 1, 2006 – May 31, 2007	Third calendar quarter of 2005
June 1, 2007 – May 31, 2008	Third calendar quarter of 2006

If the insured did not engage in operations for the complete quarter, then the last complete quarter prior to policy year inception shall be used or, if there was no complete quarter of operations prior to the policy inception, then the first complete quarter after policy inception shall be used. A credit may be determined for each construction classification by dividing the total payroll, including overtime premium pay, by the number of hours worked to arrive at the average hourly wage for the classification. In the absence of specific records for salaried employees, it will be assumed each such individual worked forty (40) hours per week. The credit for average hourly wage is listed [on next page] below:

**DCCPAP Wage Table**  
 Effective January 1, 2003 through December 31, 2003

<u>Average Hourly Wage</u>	<u>Credit From Manual Premium</u>	<u>Average Hourly Wage</u>	<u>Credit From Manual Premium</u>
\$14.49-or less	0%	\$19.01-19.25	15%
\$14.50-16.75	5%	\$19.26-19.75	16%
\$16.76-17.00	6%	\$19.76-20.25	17%
\$17.01-17.25	7%	\$20.26-20.75	18%
\$17.26-17.50	8%	\$20.76-21.25	19%
\$17.51-17.75	9%	\$21.26-22.00	20%
\$17.76-18.00	10%	\$22.01-22.75	21%
\$18.01-18.25	11%	\$22.76-23.50	22%
\$18.26-18.50	12%	\$23.51-24.25	23%
\$18.51-18.75	13%	\$24.26-25.25	24%
\$18.76-19.00	14%	Over \$25.25	25%

**DCCPAP Wage Table**  
**Effective January 1, 2004 through December 31, 2004**

<u>Average Hourly Wage</u>	<u>Credit From Manual Premium</u>	<u>Average Hourly Wage</u>	<u>Credit From Manual Premium</u>
\$14.74-or less	0%	\$19.26-19.75	15%
\$14.75- 17.00	5%	\$19.76-20.25	16%
\$17.01-17.25	6%	\$20.26-20.75	17%
\$17.26-17.50	7%	\$20.76-21.25	18%
\$17.51-17.75	8%	\$21.26-22.00	19%
\$17.76- 18.00	9%	\$22.01-22.75	20%
\$18.01-18.25	10%	\$22.76-23.50	21%
\$18.26-18.50	11%	\$23.51-24.25	22%
\$18.51-18.75	12%	\$24.26-25.00	23%
\$18.76-19.00	13%	\$25.01-26.00	24%
\$19.01-19.25	14%	Over \$26.00	25%

**DCCPAP Wage Table**  
**Effective January 1, 2005 through May 31, 2006**

<u>Average Hourly Wage</u>	<u>Credit From Manual Premium</u>	<u>Average Hourly Wage</u>	<u>Credit From Manual Premium</u>
\$15.24 or less	0%	\$19.76 - 20.25	15%
15.25 - 17.00	5%	20.26 - 20.75	16%
17.01 - 17.25	6%	20.76 - 21.25	17%
17.26 - 17.50	7%	21.26 - 22.00	18%
17.51 - 17.75	8%	22.01 - 22.75	19%
17.76 - 18.00	9%	22.76 - 23.50	20%
18.01 - 18.25	10%	23.51 - 24.25	21%
18.26 - 18.50	11%	24.26 - 25.00	22%
18.51 - 18.75	12%	25.01 - 25.75	23%
18.76 - 19.25	13%	25.76 - 26.75	24%
19.26 - 19.75	14%	Over \$26.75	25%

**DCCPAP Wage Table**  
**Effective June 1, 2006 through May 31, 2007**

<u>Average Hourly Wage</u>	<u>Credit From Manual Premium</u>	<u>Average Hourly Wage</u>	<u>Credit From Manual Premium</u>
\$15.94 or less	0%	\$21.41 - 21.95	15%
15.95 - 17.00	5%	21.96 - 22.55	16%
17.01 - 17.40	6%	22.56 - 23.15	17%
17.41 - 17.85	7%	23.16 - 23.80	18%
17.86 - 18.30	8%	23.81 - 24.45	19%
18.31 - 18.80	9%	24.46 - 25.15	20%
18.81 - 19.30	10%	25.16 - 25.85	21%
19.31 - 19.80	11%	25.86 - 26.55	22%
19.81 - 20.30	12%	26.56 - 27.30	23%
20.31 - 20.85	13%	27.31 - 28.05	24%
20.86 - 21.40	14%	Over \$26.75	25%

The total construction classification credit amount, in dollars, must be calculated and then divided by the total policy premium at Bureau Rating Values - including construction and non-construction classifications. The result would be the percentage credit which is to be applied to the [July 1, 1990 or later] policy. When calculating the total policy credit the percentage shall be rounded to the nearest whole number with .5 being rounded upward (as an example, 4.4 rounded to 4% and 4.5 rounded to 5%).

The insured shall submit the required payroll and hours worked information to the Delaware Compensation Rating Bureau, Inc. for calculation of any applicable credit. The carrier shall, upon audit, verify the information that was submitted by the insured and used in the calculation of the credit. If the carrier discovers an error in the original request for policy credit, the revised information must be submitted to the Delaware Compensation Rating Bureau, Inc. for recalculation. If the insured does not furnish records to verify the payrolls and hours worked originally submitted and used in the calculation of the credit, there shall be no credit applied to the policy.

The credit authorized by the Delaware Compensation Rating Bureau, Inc. shall appear on Item 4 of the policy. If the credit applicable to the policy is not available at the time of policy issuance, the carrier shall endorse the policy to provide the appropriate credit information once a qualifying application has been processed and the Bureau has notified the carrier of the credit determined on the basis of such application.

Report Delaware Construction Class Premium Credit on the information page and unit statistical report under **Code 9046**.

Carriers are required to use the approved form to notify all their insureds, who have one or more construction classifications on their policy, that they may be eligible for a premium adjustment credit.

**2. "Construction classifications"** are those classifications subject to the following code numbers:

601	609	645	652	658	666	676	<u>693</u>
602	611	646	653	659	667	677	<u>695</u>
603	615	647	654	661	668	<u>679</u>	
605	617	648	655	663	669	<u>681</u>	
607	625	649	656	664	674	<u>682</u>	
608	643	651	657	665	675	<u>691</u>	

**[ 3. Third Calendar Quarter**

**a. Policy Anniversary Date Quarter Used**

07/01/90 to 07/01/91 1989

07/01/91 to 07/01/92 1990

07/01/92 to 07/01/93 1991]

**3. [4.]** The Bureau will inform the carrier and employer of the credit percentage. The Bureau will then record on the experience rating sheet (when applicable) the credit percentage to apply to the policy. Code 9046 is to be used in policy issuance and statistical reporting to record the construction premium credit, which is to be applied after the experience modification and after [the deviation or] schedule rating adjustments, but before calculating the premium discount and before adding the expense constant.

<b>REVISED</b>				
<b>Code</b>	<b>Classification</b>	<b>Payroll</b>	<b>Rate</b>	<b>Premium</b>
652	Carpentry	\$300,000	\$13.83	\$41,490
951	Sales[man] <u>person</u>	41,600	.60	250
953	Office	176,000	.39	686
	Sub-Total			42,426
9898	Experience Modification	1.180		7,637 Debit
				50,063
9887	Schedule Credit	5%		2,503 Credit
	Sub-Total			47,560
9880	Safety Program Credit	20%		9,512 Credit
	Sub-Total			38,048
9046	Construction Credit	20%		9,512 Credit
	Sub-Total			28,536
0277	Residual Market Surcharge	.18		5,135 Debit
0063	Premium Discount (if applicable)			Credit
	Sub-Total			
9999	Estimated Annual Premium			\$33,672

#### **4. [5.] Appeals**

The Bureau's determination of an individual risk's eligibility for and/or the percentage of credit under the Delaware Construction Classification Premium Adjustment Program may be appealed pursuant to Rule XVI, APPEALS FROM APPLICATION OF THE RATING SYSTEM PROCEDURE, Section 1 of this Manual.